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**MATERIALS CONTROLS**

**DEFENSE BULLETIN No. 17**

April 10, 1951

MATERIALS POOLING ARRANGEMENT FOR REA ELECTRIFICATION  
BORROWERS DURING SECOND QUARTER OF 1951

During the second quarter of 1951, REA electrification borrowers have been authorized to operate under a materials pooling arrangement, the principal general features of which are as follows:

(1) All REA electrification borrowers together are regarded as one user of such materials as are placed under control of the Defense Electric Power Administration. These are officially called "Program Materials." At present, the principal Program Materials are aluminum conductor and accessories and copper conductor. Steel is expected to be added to the list in the near future.

(2) DEPA has allotted a block of Program Materials for the REA electrification program out of the total amount of Program Materials made available for the entire electric utility industry. REA has the responsibility of reviewing and approving the plans of individual borrowers and allotting Program Materials among borrowers for approved use. Borrowers will not submit their second quarter construction plans to DEPA, as commercial utilities do.

(3) Borrowers may apply DO (defense order) ratings during the second quarter for the purchase of Program Materials to be used, within specific limits, in construction approved by REA.

The basic authorization for this arrangement is contained in NPA Order M-50, effective April 1, 1951, which provides a second quarter materials program for the entire electric utility industry. The features of particular application to the REA program are set forth in authorizations from the Secretary of the Interior to the Secretary of Agriculture. The REA pooling arrangement was developed in recognition of the fact that most of the REA borrowers, unlike commercial utilities, are small and comparatively new and are in the process of developing their systems. It will enable the borrowers to adjust their use of critical materials to conform to the requirements of the defense program and at the same time permit the borrowers to carry on their essential defense-supporting activities in connection with food production and manpower savings in rural areas.

Because of delays in the issuance of NPA Order M-50, it has



been necessary to give borrowers partial information in separate letters in order to prevent construction stoppage in April. This Defense Bulletin contains full information, including the substance of the earlier letters and certain information not available previously. All borrowers are urged to give close and prompt attention to the information below in view of its importance to their operations during the next three months.

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- I. REA Pooling Arrangement for Program Materials.
- II. Use of DO-97 Rating for Non-Program Materials for MRO and Minor Capital Additions.
- III. NPA Order M-5 Scheduling DO-Rated Orders for Aluminum Conductor.
- IV. NPA Order M-11 Scheduling DO-Rated Orders for Copper Conductor.
- V. NPA Order M-44 Heavy Power Equipment.

I. REA POOLING ARRANGEMENT FOR PROGRAM MATERIALS

A. Definitions

For purposes of materials control, REA is required to adhere to certain definitions adopted by DEPA and NPA. These definitions are as follows:

- (1) "Program Materials" means only those materials which are covered by NPA Order M-50 and the REA pooling arrangement. At present such materials include:
  - (a) Aluminum conductor which means any wire, cable, or bus bar which contains aluminum.
  - (b) Aluminum conductor accessories which means any accessories containing aluminum or steel, such as clamps, twisting sleeves, and armor rods, which are used for the installation of aluminum conductor.
  - (c) Copper conductor which means bare wire, insulated wire and cable whatever the outer protective coverings may be, and uninsulated wire and cable, where the conductors are made from copper, copper-base alloy, or copper clad steel containing over 20 percent copper by weight.
  - (d) Brass mill products which means sheet, including strip and plate; rod, including bars and extruded shapes; wire; or tube, including pipe, made from copper or copper-base alloy.



- (e) Foundry products which means cast copper and copper-base alloy shapes or forms suitable for ultimate use without remelting, rolling, drawing, extruding, or forging.
- (2) "Plant addition" means the construction or installation of new facilities or the replacement of existing facilities with facilities of greater capacity. Single plant additions may not be combined or sub-divided for purposes of affecting their classification as "major plant additions" as defined herein. To assist in determining whether particular construction constitutes one, or more than one, plant addition, it shall be considered that a single plant addition consists of:
  - (a) Any construction of related facilities, excluding maintenance and repair work, which is completed during a continuous period of construction, not interrupted by periods of time such as months or years, except where such interruption is caused by uncontrollable forces, such as adverse weather conditions; and
  - (b) In the case of line construction, a single continuous integrated system of lines, with necessary connected substations. (Thus, several sections of line emanating from different points on a borrower's system would be several plant additions, not one plant addition.)
- (3) "Major plant addition" means any plant addition constructed by an electric utility which involves one or more of the following:
  - (a) Line construction designed for operation at more than 15 kv where the plant addition requires more than 10,000 pounds gross weight of conductor, or
  - (b) Line construction designed for operation at 15 kv or less where the plant addition has a net material cost exceeding \$50,000, or
  - (c) Non-line construction, including but not limited to construction of or additions to generating plant or sub-stations, where the plant addition has a net material cost over \$50,000.

(Materials for borrowers' headquarters buildings are not included in this materials control arrangement. Defense Bulletin 9, dated February 2, 1951, applies to such buildings.)



- (4) "Minor requirements" means electric utility requirements of program materials for all purposes (including MRO) except use in major plant additions. Note that this distinction between major plant addition and minor requirements is new and unfamiliar in the REA program. Many borrowers will find that rather substantial construction will fall into the category of "Minor Requirements." The distinction is extremely important in the materials control arrangement and should be carefully studied. It should be especially noted that the word "project" as customarily used in the REA program has no meaning for purposes of materials control.
- (5) "Gross weight of conductor" means, in the case of overhead lines, the weight of conductor as installed, including steel content in the case of conductor containing steel, without deduction for material salvaged; and in the case of underground lines the copper and aluminum content only, without deduction for material salvaged. Note that the principal use of this definition is in connection with (3) (a) above. For most other purposes, including the important one of applying DO ratings, aluminum content and copper content in conductor are used. It is important that the distinction between gross weight and content be kept in mind and that correct figures be used, as applicable. References for converting conductor to aluminum content and copper content are contained in Tables 1 and 2 attached to this Bulletin.
- (6) "Net material cost" means the cost of all material incorporated in plant, less the cost of all material removed from plant, priced in accordance with the borrower's regular accounting practice.
- (7) Maintenance, repair and operating supplies (hereinafter collectively referred to as "MRO") have the following meanings:
- (a) "Maintenance" means the minimum upkeep necessary to continue any plant, facility, or equipment in sound working condition, and "repair" means the restoration of any plant, facility, or equipment to sound working condition when it has been rendered unsafe or unfit for service by wear and tear, damage, failure of parts, or the like. Neither "maintenance" nor "repair" includes the improvement of any plant, facility, or equipment by replacing material which is in sound working condition with material of a new or different kind, quality, or design.



- (b) "Operating supplies" means material, other than fuel which is used or consumed in the course of an electric power system's operations, except in maintenance, repair, and plant additions. Fuel is considered to be any fuel, such as coal, oil, or gas used to operate Diesel engines or used under the boilers for producing steam to operate the turbines. Purchased power would come under the same class. Other fuels such as gasoline used in operating trucks or other equipment may be considered as operating supplies.

B. Major Plant Additions

- (1) Use of Program Materials for major plant additions during April 1951.

All borrowers which are shown by our records to have major plant additions scheduled for construction in the second quarter of 1951 have received information regarding forms DPA-2, DPA-3 and DEPA-3-S with the regional engineers' letter of March 16, 1951, or from the Power Division. For such borrowers, REA authorization to use Program Materials during the second quarter for the major plant additions described in those forms was given in the REA letter of March 28, 1951, and such authorization is hereby confirmed. Any borrower having major plant additions scheduled during the second quarter for which the above forms have not been sent to REA should submit them at once.

Borrowers may proceed with force account and contract construction of such approved major plant additions during April 1951 in accordance with their regular schedules.

- (2) Use of Program Materials for major plant additions during May and June 1951.

The amount of Program Materials which may be used for major plant additions during May and June 1951 is subject to authorization by REA. Such authorization will be given after receipt from all borrowers of necessary information as to actual and estimated use under the pooling arrangement. This information was requested in the REA letter of March 30, subject: "DO-48 Ratings for Copper and Aluminum Conductor," and authorizations for use after April will reach all borrowers soon.



Borrowers must keep careful records of the Program Materials used in such construction and will be asked to furnish such information on forms to be supplied by REA from time to time.

C. Minor Requirements

- (1) Use of Program Materials for minor plant additions and MRO during April 1951.

Borrowers were authorized in the REA letter of March 28, 1951, to proceed with construction of minor requirements during April 1951 in accordance with their regular schedules. That authorization is hereby confirmed.

- (2) Use of Program Materials for minor requirements during May and June 1951.

Borrowers have been asked to submit to REA on a form supplied in the REA letter of March 30 estimates of their minor requirements of Program Materials for May and June 1951. As soon as necessary information has been received from all borrowers, REA will advise borrowers as to their permitted use for minor requirements during May and June 1951 of Program Materials received during the second quarter. Program Materials which were on hand as of March 31, 1951, may be used for minor requirements without limitation. Borrowers must also keep careful records of the Program Materials used in minor requirements to be furnished REA on forms supplied from time to time.



D. DO Ratings

REA borrowers have been authorized to use, subject to REA approval, DO-48 ratings for purchases of Program Materials during the second quarter of 1951.

Orders for aluminum conductor and accessories for delivery in the second quarter of 1951 which were outstanding on April 1, 1951, must be given a DO rating or cancelled by April 15. Orders for copper conductor for delivery in the second quarter which were outstanding on April 9, 1951, must be given a DO rating or cancelled by May 1.

REA borrowers and other electric utilities may not place any order without a DO rating for any Program Materials scheduled for delivery in the second quarter of 1951.

Each borrower was authorized by the REA letter of March 30, 1951, to apply the DO-48 rating immediately to orders for program materials in an amount not exceeding its estimated use of program materials for major plant additions scheduled in April 1951 -- provided the conductor so ordered is for delivery during the second quarter of 1951. That authorization is hereby confirmed. If a borrower does not have use of program materials scheduled in April for major plant additions but contemplates such use in May or June, the borrower may apply DO-48 ratings immediately to orders up to its estimated use of program materials for a period of 30 days -- again provided the program materials so ordered are for delivery during the second quarter of 1951.

In addition to the amounts authorized by the preceding paragraph REA will shortly advise each borrower having major plant additions of the amounts of program materials to which the DO-48 rating may be applied on orders for delivery during the second quarter. This will be done as soon as the information requested in the REA letter of March 30 is received and tabulated, so that the total needs of the program can be compared with the amount of program materials made available to REA.

Each borrower was authorized by the REA letter of March 30, 1951, to apply the DO-48 (Minor) rating immediately to orders of program materials in an amount not exceeding its estimated use of program materials for minor requirements scheduled in April -- provided the conductor so ordered is for delivery during the second quarter of 1951. That authorization is hereby confirmed.

In addition to the amounts authorized by the preceding paragraph, REA will shortly advise each borrower of the amount of program materials to which the DO-48 (Minor) rating may be applied to orders for delivery during the second quarter of 1951. This also will be done as soon as the information requested in the REA letter of March 30 is received and tabulated.



In applying the DO-48 rating to program materials in approved amounts for major plant additions, the following procedure should be used:

- (1) Borrowers shall place on the orders or contracts the following certification:

"DO-48. Certified under NPA Order M-50."

\_\_\_\_\_  
Name of Borrower

by (\_\_\_\_\_  
Signature of Manager or other  
authorized person)

If the materials are for minor requirements, the certification should read as follows:

"DO-48 (Minor). Certified under NPA Order M-50."

\_\_\_\_\_  
Name of Borrower

by (\_\_\_\_\_  
Signature of Manager or other  
authorized person)

The signature must be either by hand or in the form of a rubber stamp or other facsimile reproduction of a handwritten signature. If a facsimile signature is used, the individual who uses it must be duly authorized in writing to use it for this purpose by the person whose signature it is, and a written record of the authorization must be kept.

If it is not practicable to place such certification on the order or contract, it may be placed on a separate piece of paper attached thereto, or clearly identifying it.

- (2) If the DO rating is placed by telegram, the certification quoted above must be set out in full in the telegram. It is sufficient if the file copy of the telegram is signed in the manner indicated above.
- (3) Where shipment is required within seven days, the substance of the certification may be stated verbally or by telephone. In such case, however, the following



rules must be complied with:

- (a) The person making the statement for the buyer must be a person duly authorized to make the certification.
- (b) Both the buyer and the seller must promptly make a written record of the fact that the certification was given orally and the record must be signed by the buyer in the same way as a certification.
- (c) Written confirmation should be sent to the seller by borrowers placing DC ratings.

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- (4) Borrowers need not apply the DO rating to Program Materials furnished by contractors unless the contractors require the DO ratings in order to obtain Program Materials for the borrowers' projects.
- (5) Suppliers and contractors may extend to their suppliers the DO rating given them by borrowers by making a signed certification in a manner similar to that described above.
- (6) Each person participating in any transaction involving use of DO ratings must retain, for at least 2 years, records of receipts, deliveries, inventories and use in sufficient detail to permit an audit which will show compliance with the applicable regulations.

E. Inventories

Under the terms of NPA Order M-50, "Inventory of Program Materials" means all new or salvaged Program Materials in the possession of the borrower, unless physically incorporated in plant, without regard to its accounting classification, excluding, however:

- (1) Program Materials specifically set aside on April 1, 1951, for use in time of emergency, and replacement thereof, and
- (2) Program Materials set aside for use in any Major Plant Addition. Program Materials set aside for Major Plant Additions approved by REA, thus, are not included in inventory and are not subject to inventory restrictions under NPA Order M-50. However, Program Materials set aside for use in any Major Plant Addition which will not be used in any such Major Plant Addition must be included in the inventory.

Program Materials for Minor Requirements are subject to the inventory restrictions of NPA Order M-50 and all REA borrowers, considered together as a single user, must comply with such inventory restrictions. While the inventory provisions of NPA Order M-50 will be applied to REA borrowers, considered collectively, it will be necessary to develop rules for the guidance of borrowers on an individual basis. As soon as possible after receipt and tabulation of the information requested in the REA letters of March 30, 1951, and April 6, 1951, each borrower will be informed as to its permissible individual inventory of Program Materials for Minor Requirements. In the meantime, no borrower may order Program Materials if, after receipt of such Program Materials, individual inventory would be in excess of 25% of the gross weight of such Program Materials used by such borrower for its Minor Requirements during the year 1950.



F. Penalties

Persons violating the regulations governing the materials control arrangement are subject to fine or imprisonment or both. In addition, violators may be denied further priorities assistance.

II. USE OF DO-97 RATING FOR NON-PROGRAM MATERIALS FOR MRO AND MINOR CAPITAL ADDITIONS.

NPA Order M-50 modifies NPA Regulation No. 4, described in Defense Bulletin No. 12 and 15, by excluding from the materials to which the DO-97 rating may be applied the following:

- (1) Program materials, as defined in Order M-50.
- (2) Heavy power equipment, covered by NPA Order M-44, and referred to at a later point in this Bulletin.
- (3) Any other item costing more than \$10,000.

Regulation 4 still applies to the use of DO-97 to purchase non-program materials for MRO and minor capital additions. The materials and equipment enumerated in (1), (2) and (3) above should be excluded from the quarterly MRO quota computed for purposes of applying the DO-97 rating under NPA Regulation 4.

III. SCHEDULING RATED ORDERS FOR ALUMINUM UNDER NPA ORDER M-5.

The following provisions of NPA Order M-5 (which applies to producers and fabricators of aluminum conductor, among other things) are of interest to borrowers using DO-ratings pursuant to the NPA Orders referred to above.

A rated order for the aluminum forms and products (including conductor), set out in NPA Order M-5, must specify shipment on a particular date or during a particular month, which in no case may be earlier than required by the person placing the order. The producer of aluminum, if he accepts the order, must schedule it for shipment within the requested month as close to the requested shipment date as is practicable considering the need for maximum production.

Manufacturers of aluminum conductor are not required to accept a rated order which is received less than 60 days prior to the first day of the month in which shipment is requested, unless specifically directed to accept the order by the National Production Authority. Of course, the manufacturer may accept such an order, if it wishes.



IV. SCHEDULING RATED ORDERS FOR COPPER UNDER NPA ORDER M-11.

The following provisions of NPA Order M-11 (which applies to producers and fabricators of copper conductor, among other things) are of interest to borrowers using DO-ratings pursuant to the NPA Orders referred to above.

A rated order for the copper forms and products (including conductor), set out in NPA Order M-11, must specify shipment on a particular date or during a particular month, which in no case may be earlier than required by the person placing the order. The producer, if he accepts the order, must schedule it for shipment within the requested month as close to the required shipment date as is practicable considering the need for maximum production. Producers and fabricators of copper conductor are not required to accept a rated order which is received less than 45 days prior to the first day of the month in which shipment is requested, unless specifically directed to accept the order by the National Production Authority, although the supplier may accept such an order, if it wishes.

V. NPA CONTROL OVER PRODUCTION AND DELIVERY OF HEAVY POWER EQUIPMENT UNDER NPA ORDER M-44.

NPA Order M-44 requires manufacturers of heavy power equipment to file monthly reports commencing March 15, 1951, showing orders on hand and production and delivery schedules for such equipment. Heavy power equipment for purposes of the NPA Order includes turbines, engines, generators, boilers, coal pulverizers, transformers over 500 KVA for operation above 15 KV, circuit breakers and switchgear.

Order M-44 provides that with respect to the production and delivery of such power equipment commencing March 16, 1951, NPA may:

- "(a) Direct the return or cancellation of any order on the books of a manufacturer:
- (b) Direct changes in the production or delivery schedules of a manufacturer, requiring him to fill orders in such sequence as it may determine:
- (c) Allocate orders placed with any manufacturer to another manufacturer or manufacturers:
- (d) Take such other action as it deems necessary concerning the placing of orders for power equipment or parts thereof or concerning the production or delivery of power equipment or parts thereof."



While the provisions of Order M-44 are directed generally to the manufacturer of heavy power equipment rather than borrowers, borrowers participating in any transaction covered by the provisions of Order M-44 are required to retain in their possession for at least 2 years, records of receipts, deliveries, inventories and use, in sufficient detail to permit an audit which will show that the provisions of Order M-44 have been met.

Orders from a single customer for such power equipment, or parts thereof, having an aggregate fabricated value of \$5,000 or less, are exempt from the provisions of the Order M-44.

Borrowers having any questions concerning the application of NPA Order M-44 should communicate with REA.

*Claude R. Wickard*

Administrator







TABLE I  
CONVERSION TABLE FOR DETERMINING  
ALUMINUM CONTENT IN CONDUCTOR

WIRE	SIZE	WEIGHT	FACTOR			
1. ACSR . . . . .	4-6/1	POUNDS	X	0.677	=	ALUMINUM CONTENT
2. ACSR . . . . .	4-7/1	POUNDS	X	0.578	=	ALUMINUM CONTENT
3. ACSR . . . . .	2-6/1	POUNDS	X	0.677	=	ALUMINUM CONTENT
4. ACSR . . . . .	2-7/1	POUNDS	X	0.578	=	ALUMINUM CONTENT
5. ACSR . . . . .	1-6/1	POUNDS	X	0.677	=	ALUMINUM CONTENT
6. ACSR . . . . .	1/0-6/1	POUNDS	X	0.677	=	ALUMINUM CONTENT
7. ACSR . . . . .	2/0-6/1	POUNDS	X	0.677	=	ALUMINUM CONTENT
8. ACSR . . . . .	3/0-6/1	POUNDS	X	0.677	=	ALUMINUM CONTENT
9. ACSR . . . . .	4/0-6/1	POUNDS	X	0.677	=	ALUMINUM CONTENT
10. ACSR . . . . .	266,800-6/7	POUNDS	X	0.730	=	ALUMINUM CONTENT
11. ACSR . . . . .	266,800-26/7	POUNDS	X	0.685	=	ALUMINUM CONTENT
12. ACSR . . . . .	300,000-26/7	POUNDS	X	0.685	=	ALUMINUM CONTENT
13. ACSR . . . . .	336,400-26/7	POUNDS	X	0.686	=	ALUMINUM CONTENT
14. ACSR . . . . .	336,400-30/7	POUNDS	X	0.605	=	ALUMINUM CONTENT
15. COVERED ALUMINUM . .	4	POUNDS	X	0.62	=	ALUMINUM CONTENT
16. COVERED ALUMINUM . .	2	POUNDS	X	0.68	=	ALUMINUM CONTENT

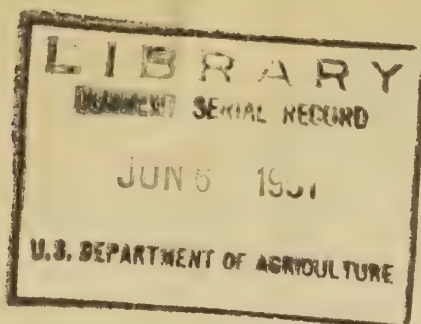
TABLE II  
CONVERSION TABLE FOR DETERMINING  
COPPER CONTENT IN CONDUCTOR

WIRE	SIZE	WEIGHT	FACTOR			
1. BARE COPPER . . . . .	ALL	POUNDS	X	1.00	=	COPPER CONTENT
2. CWC . . . . .	6A	POUNDS	X	0.78	=	COPPER CONTENT
3. CWC . . . . .	8A	POUNDS	X	0.67	=	COPPER CONTENT
4. CWC . . . . .	LARGER SIZES	POUNDS	X	0.90	=	COPPER CONTENT
5. WP . . . . .	6	POUNDS	X	0.71	=	COPPER CONTENT
6. WP . . . . .	8	POUNDS	X	0.67	=	COPPER CONTENT
7. AMERDUCTOR . . . . .	4	POUNDS	X	0.69	=	COPPER CONTENT
8. AMERDUCTOR . . . . .	6	POUNDS	X	0.71	=	COPPER CONTENT
9. AMERDUCTOR . . . . .	8X	POUNDS	X	0.61	=	COPPER CONTENT
10. COPPERWELD . . . . .	3 NO. 12	POUNDS	X	0.46	=	COPPER CONTENT
11. METER LOOPS . . . . .	2	USE 205 POUNDS PER 1,000 FEET				
12. METER LOOPS . . . . .	4	USE 129 POUNDS PER 1,000 FEET				
13. METER LOOPS . . . . .	6	USE 81 POUNDS PER 1,000 FEET				



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**MATERIALS CONTROLS****DEFENSE BULLETIN No.18**

April 25, 1951

LIMITATION ON USE OF DO-97 RATING UNDER NPA REGULATION 4,  
AMENDMENT EFFECTIVE APRIL 16, 1951.

NPA Regulation 4, which authorizes the use of DO-97 ratings for materials for maintenance, repair and operating supplies (MRO) and minor capital additions, as set forth in Defense Bulletins No. 12, dated March 9, 1951, and No. 15, dated March 20, 1951, has been amended effective April 16, 1951. The amendment, which limits the materials to which a DO-97 rating may be applied, is an interim action and it is anticipated that additional limitations will be placed on the application of the DO-97 rating.

Of particular interest to REA borrowers are the following:

1. The DO-97 rating may not be applied or extended to obtain any of the materials listed in Table I, attached hereto.
2. Even though the materials listed in Table I are not acquired by use of the DO-97 rating, expenditures for all such materials for MRO may be included in computing the MRO quota and such expenditures must be charged against the MRO quota.
3. All DO-97 ratings applied or extended under any contract or purchase order for materials listed in Table I are cancelled and no longer have any effect, even though applied or extended before April 16, 1951, the effective date of the amendment.
4. In addition to the foregoing limitations on the use of the DO-97 rating, Borrowers are reminded that the DO-97 rating under Regulation 4 may not be used for Program Materials (at present, aluminum conductor and accessories and copper conductor) under NPA order M-50, since DO-48 ratings are applied to such Program Materials as explained in Section II of Defense Bulletin No. 17, dated April 10, 1951.

*Claude R. Wickard*

Administrator







TABLE I

Materials to which a DO-97 rating may not be applied or extended under NPA Reg. 4:

1. All basic, organic or inorganic chemicals, their intermediates and derivatives other than compounded end-products not customarily sold as chemicals.

2. Nylon fibers and yarns.

3. Packaging materials and containers..

4. Paint, lacquer, and varnish.

5. Paper and paper products.

6. Paperboard and paperboard products.

7. Photographic film.

8. Rails, tie plates, track spikes, splice bars, rail joints, frogs, and switches.

9. Rubber tires and tubes.

In addition, a DO-97 rating may not be applied to items appearing in List A of NPA Order M-47, as the same may be amended from time to time. Of particular interest to borrowers are the following items if they are made in whole or in part from iron and steel products or contain parts made wholly or partly from iron and steel products. (Joining hardware is not considered "parts" within the meaning of this list.)

a. Office, business and store furniture, fixtures and appliances.

b. Office, business and store partitions, shelving, lockers and fixtures.

c. Passenger automobiles and station wagons.

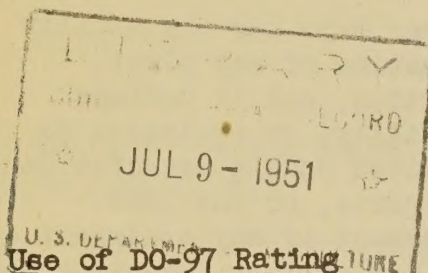




## MATERIALS CONTROL

## DEFENSE BULLETIN No. 19

June 20, 1951



Use of DO-97 Rating  
For MRO and Minor Capital Additions

NPA Regulation 4 which authorized the use of the DO-97 rating to obtain materials for maintenance, repair and operating supplies (MRO) and minor capital additions (additions having a net material cost not exceeding \$750) has been amended, effective May 22, 1951. This Defense Bulletin sets out the effect of the amendment and supplements Defense Bulletins Nos. 12, 15, 17 and 18, which discussed provisions of the Regulation.

Note: Regulation 4 and DO-97 ratings are not applicable to "Program Materials" (aluminum, copper and steel) to which borrowers may apply DO-48 ratings under NPA Order M-50.

Of particular interest to borrowers are the following provisions of Regulation 4:

1. The standard quarterly MRO quota has been increased from 100% of MRO expenditures during the base period to 120% of such expenditures.
2. Use of the DO-97 rating for minor capital additions has been limited so that the rating may not be applied to materials for such additions which in the aggregate exceed 10% of a borrower's quota for a quarter, or \$750, whichever is greater. Formerly there was no monetary limit apart from the MRO quota, on the use of the DO-97 rating for minor capital additions so long as each addition did not exceed \$750.
3. If a borrower does not apply the DO-97 rating for more than 20% of its quarterly MRO quota, it may place unlimited amounts of unrated orders, subject only to inventory limitations in paragraph 4, below. If a borrower applies the DO-97 rating for more than 20% of its quarterly MRO quota, its expenditures for new materials are subject to its quarterly MRO quota.
4. Borrowers may not apply the DO-97 rating to orders for operating supplies (does not cover maintenance and repair supplies and materials for minor



capital additions), if delivery of such material will cause the inventory of operating supplies to exceed normal requirements for the succeeding 60 days. Outstanding DO-97 rated orders which would cause inventory to exceed these limitations must be promptly canceled, reduced or deferred.

The following questions have been raised as to the use of DO-97 for replacing worn out equipment:

Q. May the DO-97 rating be applied to purchases of replacement equipment?

A. Yes. NPA Regulation 4 as modified by NPA Order M-50 for the utility industry defines "maintenance" as the continuation of any plant, facility, or equipment in sound working condition, and it defines "repair" as the restoration of any plant, facility, or equipment to sound working condition when it has been rendered unsafe or unfit for service by wear and tear, damage, failure of parts, or the like. "Maintenance" and "repair" include the replacement of any equipment regardless of its accounting classification, but neither "maintenance" nor "repair" includes the improvement of any plant, facility or equipment or the replacement of material which is in sound working condition with material of a better kind, quality, design or greater capacity.

Thus, replacement of a worn out transformer with one of the same type and capacity is considered to be maintenance and repair and the DO-97 rating may be applied subject to the MRO quota limitations.

Q. May such equipment replacements include office machines or line trucks?

A. Yes, assuming they are replacements and not improvements. (If they do not replace worn out equipment, they would be treated as minor capital additions, and would be subject to the various dollar limitations referred to above.)

Q. May expenditures during the base period for replacement of equipment be included in the computation of the MRO quota?

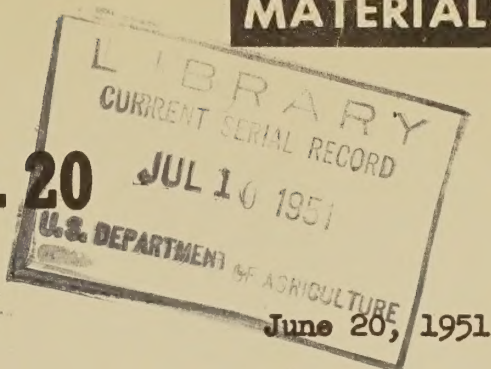
A. Yes, such expenditure may be included in computing the expenditures for MRO during the base period.

*George W. Haggard*  
Acting Administrator



## MATERIALS CONTROLS

## DEFENSE BULLETIN No. 20



June 20, 1951

STEEL BECOMES PROGRAM MATERIAL  
UNDER NPA ORDER M-50

The REA materials pooling arrangement described in Defense Bulletin No. 17 will operate during the third quarter of 1951 in substantially the same manner as during the second quarter, except that certain forms of steel have been added to the list of Program Materials.

Carbon and alloy steel were made Program Materials for purposes of the electric utility industry materials program by an amendment to NPA Order M-50 dated June 5, 1951. From the standpoint of the REA borrowers, these materials include principally guy strand, overhead static wire and structural steel and reinforcing bar and rod for use in substations and generating plants (but not in headquarters buildings). The definition does not cover steel in manufactured items such as line hardware, transformers and similar items.

Borrowers will be authorized by REA to apply the DO-48 rating to certain amounts of such steel in the same manner as for aluminum and copper. Authorizations for the third quarter for all Program Materials are being issued on REA form ADM-116A, the initial mailing of which was made early in June.

The amended order M-50 requires that after June 20, 1951, all outstanding orders for steel products defined as Program Materials must be rated, canceled or re-scheduled. All new orders placed after that date must be rated.

*George W. Haggard*  
Acting Administrator

